



**Mayor-Elect Robert J. Duffy
Transition Committee**

**Economic Development
Sub-Committee Recommendations
Strategic Initiatives**

December 28, 2005

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Forward

The mission of the Economic Development Sub-Committee, Strategic Initiatives Sub-Committee for Mayor-Elect Duffy is to help develop the compelling VISION for what the region of Greater Rochester could represent (become). The desire is to advise the newly elected Mayor on how to most effectively cultivate the regions economy through job creation & retention, infrastructure enhancement & stabilization and overall living environment improvements for the direct benefit of the citizens of the City of Rochester, the overall Greater Rochester community and those who choose to visit our fine region.

To that end we have prepared this report with the help of several citizens of our community. We were fortunate to have very knowledgeable and enthusiastic committee members. The results herein were obtained by all members sharing their thoughts and ideas with the group. We then selected the specific ideas we felt had the most merit and further refined those ideas through group discussions. Each member then took a specific idea and articulated it for inclusion herein. A final draft was compiled, reviewed and edited by our committee for presentation to Chairman Wayne LeChase.

I would like to thank the following committee members for their time, effort and commitment to the City of Rochester and Mayor-Elect Bob Duffy:

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Respectfully submitted,

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Executive Summary

In keeping with our desire is to advise the newly elected Mayor on how to most effectively cultivate the regions economy through job creation & retention, infrastructure enhancement & stabilization and overall living environment improvements we believe that it will take no less than 10 years of strategically focused effort to accomplish.

In that time, Greater Rochester must combine all of its energies to take full advantage of its heritage, current strengths and existing resources, natural, intellectual and otherwise, so as to revive its economic condition.

The following is an overview of action items and recommendations the committee has developed:

Jobs - The single most important issue for us to attend to is the retention and creation of jobs within the City of Rochester, something we cannot take for granted. Manufacturing jobs in particular must be protected. Quality of life improvements, public sector grant money, public works programs, aggressive reform of our business climate, and many other options exist to help resolve this crisis. Our recommendations point out what is needed to attract and retain manufacturers. Reaching out to local companies to pony up with new buildings is one kind of effort needed to help revitalize downtown with jobs and ultimately new residents. There is also an opportunity to recruit downstate professional service businesses to relocate here.

Upstate Coalition - We have identified the state-legislature-controlled costs of doing business in New York State as the most important controllable cause for Rochester's economic decline and it remains as the greatest threat to her economic future. An upstate coalition of Mayors and county executives needs to be assembled to lobby Albany for change. Legal action against the state may be required.

Schools - The City cannot achieve the economic vitality it desires if its schools are substandard. Tough decisions are going to have to be made. The school district must answer to, be accountable for, and make significant changes that cut costs and reduce the tax burden while substantially increasing overall student performance. With over 25% of the City's budget being handed over to the RCSD to accept anything less is unacceptable. If measurable changes are not made by the school district the City should withhold its financial support until such time as change is realized.

Energy - Inexpensive power for business is also a major desire. With extensive state subsidies and grants for renewable energy projects Rochester must closely examine its possibilities.

In spite of its economic condition Rochester has maintained a quality of life that includes a low cost of living, little traffic congestion, individual home ownership, opportunities for working class families, and a city center that still has a sense of authenticity and

character. Rochester is poised to rebuild on its history of innovation, progressive thought, and industry to be a World Class City. We must seize the opportunity.

One of Rochester's greatest assets is a rich history that continues today in our city center. Our High Falls was the original reason for the city's growth and prosperity as a "boom town" and is an important icon of our identity. A costly lesson to be learned from the recent redevelopment of this asset is that the public subsidies for the Centers at High Falls may not have been necessary if a large condo/apartment development was included to act as an area residential anchor. Of most importance to downtown revitalization is the establishment of a good comprehensive long-term plan that effectively brings residents, businesses and professional offices back to the City. All three types of uses are essential. The need is to be able to live, work, shop and play downtown. Any plan that contains all of these components will have much greater chance of success.

The Erie Canal / Subway Bed facility has two clear options – fill-in or refurbish/stabilize the facility. It is the committee position that if federal and/or state funds are available to perform either of these options then the choice would be to refurbish/stabilize and make it "development ready" so proposals could be solicited. If funds are only available for the fill-in option then the City must look at private developers and/or public funds to determine if a development is possible at this site.

The Port of Rochester could prove to be of great economic benefit to our community. The missing link here appears to be a lack of development in the Charlotte lake front area. Our proposed plan would transform Charlotte into a year-round must-visit tourist and local residents destination all at possibly no-cost to the City and its taxpayers.

National Center for Entrepreneurship - Perhaps the greatest opportunity for the City lies with her existing core strengths (higher education infrastructure, business start-up heritage, optics hot bead, fuel cell research, highly educated workforce, family friendly community, several currently prominent national profile entrepreneurs). The hallmark of our committee's work lies in the vision to advance Greater Rochester as the National Center for Entrepreneurship. This idea has the ability to dramatically change downtown through the creation of a higher education learning center coupled with a national hall of fame and a major incubator center. If structured properly there would be substantial public and private funds available to realize this major undertaking.

A strong on-line interactive website must be maintained allowing existing and potential business owners the opportunity to quickly answer a few questions about their business and instantly see opportunities available. In addition an online multi-media presentation should be available for remote viewing.

The present logo and image of Rochester should be redesigned to reflect the new entity it will become. Any good campaign must kick off with a new image.

Lastly, we need strong leadership by Bob Duffy to realize his vision: “I believe that our best days are not behind us - they are ahead”. With proper execution his statement can and will become a reality.

National Center for Entrepreneurship

It has been said time and time again over the last two or three decades, as we've sat by and watched the economic engine of Greater Rochester fall into decline. We are painfully aware that the community MUST figure out just what new image it was going to recreate for itself. The talk of new *image* is of course quite ironic in that one of the most recently pronounced images was as *The Worlds Image Leader*.

Without question, there are several powerful "turnaround" stories that we can use as comparisons; weather it be Baltimore, Providence, Indianapolis, Cleveland, Okalahoma City, Kansas City, the list is long.

In all the examples, there were some common, necessary ingredients; a unified vision of the transformed community, strong leadership, effective coordination amongst all regional entities, government, civic, corporate, etc.

What they also all had was a strong hook, an anchor of sorts, that unifying theme that was a rallying point for all the entities, all the constituencies to rally around.

Thus far we have discussed several potential anchoring themes; a vibrant waterfront community, the optics Mecca, the Smart energy center, *the* Flower City, a center for Higher Education. Although many of these have strong merit and assist in the plusses to our community, none of them, on their own seem to hold the dynamic transformational potential that is required right now to pull this community up by the bootstraps, radically changing the wrong direction we've been going for the last several years. We need something that holds the potential to again shine positive national and international attention on our community. We need something that works to take advantage of all of our existing core strengths (higher education infrastructure, business start-up heritage, optics hot bead, fuel cell research, highly educated workforce, family friendly community, several currently prominent national profile entrepreneur's) We need something big, something high profile, something that will initially be thought of as too "out of the box" for us to pull off.

The recommendation: advance Greater Rochester as the **National Center for Entrepreneurship**. Do so in a bold, decisive, coordinated and orchestrated way. Rally city, county and regional assets around one unified mission and three very substantial initiatives to bring about the reality to back up the claim.

Three Primary Initiatives:

The National Entrepreneurship Hall of Fame (think Strong Museumish)

- Seek national Chamber, national Corp. and local Entrepreneur financial support
- Design and Build a Hall of Fame venue strategically within center city
- Focus the overall concept around celebrating the lives and successes of the nations celebrated entrepreneurs
- Open the venue with maybe the 100 initial inductees, several posthumously but several still with us and present for the event
- Structure the venue as part museum, part educational and part entertainment
- Utilize the strong reputation and high profile of Rochester's top 10 entrepreneurs as part of the founding fathers of the Hall of Fame
- Use Wegman, Golisano and Sands as the present day representatives of Rochester's proud heritage of entrepreneurs (embrace them for core support)
- Allow it to be a joint venture of city, county and regional business leaders

The (surname) Center for Entrepreneurial Studies (think unique collaboration)

- Anchored by a joint venture of RIT and/or U of R (or all 5 area colleges)
- A center for both undergrad and graduate level course work (and adult ed)
- Developed as an educational component of the Renaissance Square project
- Bring in 3-4 nationally renowned Profs on the subject
- Attract support and input from *Leadership* think-tank initiatives (Drucker?)
- Bring in 2-3 high profile *Executive's In Residence* to lead courses and enterprise
- Allows all area colleges and universities to offer their entrepreneurial based programs and course offerings out of the Center (true collaboration)
- Build an element of student housing into the formula (adjacent to Ren Sq)

The (surname) Entrepreneurial Incubator Center (think synergy³)

- In whatever way possible blend all existing business incubator projects into one coordinated, consolidated, orchestrated center
- Look seriously at locating it with-in center city (adjacent to Ren. Sq?)
- Use coordinated city and county influence to bring state and federal support, funds and focus to the center
- Blend U of R and RIT ongoing research initiatives into the mix
- Focus the Angel Funding initiatives of RBI to and through this center

Added elements

- Convert current RBI Small Business Council program into Entrepreneurship Council
- Commence an Entrepreneur of the Year award (national scope) similar to the old Hickock Belt award in sports....(The Eastman Award)....celebrated career award
- Promote our existing strength in optics, photonics and sight related research into an initiative that supports the Imaging Capital idea and Entp celebration like a local – regional new-be award over at the Hall of Fame....rookie of the year award

We have a very unique opportunity right NOW in the community. New, strong leadership is about to take power in the city. A new season of collaboration and cooperation can, and must take hold. Bold new initiatives are required... this just might be the one that can pull all community constituencies together. If not this idea then one even more powerful, dynamic and aggressive is what we would hope for. This is not a time to be timid. We need transformational action...Now!

A unique opportunity for funding for the educational facility may be available from the SUNY system. When one examines SUNY University campuses (not Community Colleges) you'll find Albany has three campuses, Syracuse has two and Buffalo has one. Rochester has no in-city SUNY University Campus. It is time for the state to pony up and give us our fair share of funding (in more ways than one).

Additionally, there is only one Entrepreneurship program offering and that is at Plattsburgh State. With the realization that entrepreneurship is a major contributor to commerce in New York State it should be relatively easy to obtain state funding for such a university. See next page.

Tied to the Entrepreneurship concept is **Venture Capital** - a financial necessity among a growing number of small high tech companies who are just at the phase of transferring a technological break-through into a revenue-producing product. Because of the inherit risk of such a fledgling entity, it has been very difficult to obtain funds from typical financial markets. It may be prudent to allow GRE, the Rochester Business Alliance and existing local venture capital firms to take the lead in a coordinated plan of action to address this issue. The one area that may have promise is the state of New York's extensive Public Pension fund. This fund, which is the second largest public pension fund in the United States (**\$120 Billion**), invests in a variety of securities, including public and private equity, real estate and fixed income. Actually, the state of NY already has targeted \$364 million from its private equity group for venture capital investments with in-state companies. The Mayor could be a vocal supporter of obtaining additional funds to be invested, especially in the Metro Rochester Region. With a total Pension Fund of \$120 billion, much more money should go towards job creating ventures in the upstate portion of New York - especially in Rochester.

Power for Jobs

With significant federal and state incentives available for renewable energy source equipment installation now is the time for the City to perform a review of available programs to determine how they might help provide local businesses with lower priced energy.

In addition to wind farms like the one the Town of Webster is presently considering building, we recommend the City of Rochester commit the resources required to perform a pre-feasibility study of the Middle and Lower Falls on the Genesee River for the purpose of determining the economic viability of hydroelectric power plants at one or both of these locations. If economic viability can be assured, then the investment in hydroelectric power plants as assets of the City of Rochester to provide clean and inexpensive electric power would be recommended. The primary use of this inexpensive and inexhaustible supply of electric power would be to encourage industrial growth in the City of Rochester by corporations whose activities require a significant and reliable source of electric power.

Another opportunity in the area of power/energy development would be to establish Rochester as the Fuel Cell Capital of New York State. This would involve investment in hydrogen fuel stations for automobiles as well as research/manufacturing facilities for miniaturized fuel cell technology. This project would involve our higher education facilities, city assets, Federal dollars and local venture capital/entrepreneurial investments to create a community of energy/power development and could be tied into the proposed Entrepreneurship Center.

Benefits include creation of temporary jobs for the studies and subsequent construction if feasible. Long term job creation could be significant if the City is able to attract high power consumption industries by providing cheap power. Energy costs for municipal buildings could also be reduced thereby reducing property taxes.

It is also possible to provide electrical energy from a hydro plant to low income residents thereby reducing the subsidy burden and increasing disposable dollars to help grow the economy while improving their quality of life.

Professional Services & “Up-sourcing”

The City should develop and implement an “up-sourcing” campaign. Businesses everywhere are outsourcing jobs to locations that have cost advantages over their current location. Due to the burdens Rochester carries from the state, we find that the New York City metro area is the only market in North America over which we have a straight cost advantage. Rochester should begin an aggressive campaign that promotes the low cost of living, quality of life, extremely short commutes, and greatly reduced cost of doing business over NYC. This effort should be focused on up-sourcing jobs in professional services organizations to the city of Rochester. We should also court downstate companies that fit within our core competencies of optics, photonics, imaging, food & beverage manufacturing, medical research, and fuel cell technology to name a few. The relocated firms would be able to achieve substantial cost savings without even having to adjust to new state rules and regulations. With millions of vacant square feet of commercial office space downtown leasing for roughly one fifth of comparable space in Manhattan, this is our best chance to increase our job base outside of efforts to foster local growth and retain existing jobs.

New Headquarters Downtown

Several local businesses have grown and prospered over the years with Rochester as their base. These local successes include Constellation Brands, Paychex, and Wegman’s to name a few. The City should aggressively market a downtown location for construction of new corporate headquarters for these firms. For example, Constellation Brands has no real corporate headquarters to showpiece. With almost \$1.3 billion in retained earnings this is a can-do possibility that should be pursued. Paychex already has a modest headquarters but in light of the upcoming NY gubernatorial election which may include their founder B. Thomas Golisano as a candidate, time may be ripe for them to announce such an investment into upstate. Paychex has almost \$800 million in cash right now. With a net worth said to be in excess of \$5 billion and their corporate headquarters outgrown, Wegman’s is also a terrific candidate.

This initiative would be closely tied geographically to the Entrepreneurship Center project.

Manufacturing in Rochester - 19% of all jobs!

First and foremost manufacturing, despite declines in recent years across upstate New York and nationwide, is still very important to the City of Rochester. Manufacturing needs to be strengthened. Documents supporting this position follow.

Manufacturing like apple pie and motherhood enjoy broad appeal. The devil is in the execution. Job retention as well as job creation must be the focus

The City's Economic Development Department should utilize local colleges and universities to bring current and innovative approaches to strengthening the manufacturing base. An example could be RIT's Center for Integrated Manufacturing Studies and a just completed report on competitive barriers facing manufacturing businesses across Upstate New York and what can be done to assist in addressing those barriers.

An evaluation of existing industrial programs to determine how funds and incentives can be most effectively applied should be performed. A strong consideration should be given to adopting a dual focus system of delivering services to Manufacturing companies. One focus would be to the existing model of helping businesses one-on-one with location and financing decisions related to their planned growth. The second and new focus would be to recognize the importance of manufacturing clusters and that some solutions can only occur at the cluster level. Cluster theory applied to manufacturing says that similar businesses tend to cluster in certain areas and by collaborating among themselves benefits can accrue to all. Samples of types of clusters in the Rochester area are:

Material Processing • Industrial Machining and Systems • Optics and Imaging
• Remanufacturing • Food Processing • Information Technology

An Important message that must be sent to manufacturer's is the City values you and we want to help in both your growth decisions when that occurs but also to help address barriers to increased competitiveness that you maybe experiencing that are limiting growth and jeopardizing jobs. The existing visitation program for all manufacturing businesses within the City should be continued and enhanced. For larger manufacturers the Mayor should participate directly in the visits.

Existing programs such as Empire Zones should be continued with close monitoring of results on a business by business basis. With resources limited as they are businesses receiving help must achieve projected levels of job creation and retention to continue to receive help.

The City needs to partner with other economic development agencies in the region to maximize efforts and avoid duplication of services. Included in this coalition is public debate urging Albany to reduce the cost of doing business in New York State. These costs are a direct contributor to the decline in competitiveness, loss of jobs and vacant industrial buildings.

RCSD

To rebuild our community requires excellence in everything we have to offer current and potential residents. Of utmost importance are good public schools. Our City schools are among the worst in the nation while their teachers are being paid the highest salaries. It's broke and half measures won't fix it. Rochester's children deserve better.

Teachers get well over 2 months of vacation a year, their pensions are among the most generous among all workers in America. School teacher Pension income in New York State is tax-free, the health care package again is the most generous compared to comparable private sector health plans, and they in essence are guaranteed a job for life after they obtain tenure. They can not lose their job due to low labor costs in China or Mexico, a threat most American workers worry about every day of their working life. City school teacher's average salary is \$52,000 for working 9-10 months/year. The starting Salary for private sector teachers in high-end private schools is only about \$15,000 while the city public teachers start in the middle to upper \$30,000 range with a vast pension/health care package that private teachers don't get. On average teachers in NYS get over 30% more in salary compensation than California teachers yet the academic results are higher in California. School budgets in Rochester/Monroe County represents about 65-70% of the total local property tax. Teacher salaries in Rochester/New York State are among the highest in the country.

The bottom line - school budgets, both in the city and county, are out of control and have been for the last 15 years. There appears to be no checks and balances to control these costs. To allow city teachers to get over 4% increases in salary every year for the next three years considering the projected budget deficits is extremely irresponsible.

A proposal to help the Rochester City School district achieve better success is needed which would leverage the \$119 million city portion of the RCSD budget to achieve common sense reform. These reforms should not be drafted by the blue-ribbon committee that just suggested that the solution is "more volunteers." This new group should not be inclusive but rather be composed of a few real experts on improving urban education and a few repeat top 100 business owners that do not benefit by any of the states policies. The CGR could help. The Mayor on his bully pulpit could persuade the school teachers that dysfunctional procedures should be dropped and the administration, perhaps through the use of 360 degree reviews could force the worst bureaucrats to retire. If no progress is permitted by the forces of the status quo the city's school money could be put in escrow until reason is achieved.

Upstate Coalition

New York has a host of laws on the books that make it the second most expensive state in which to own and operate a business. Due to Albany's worker's compensation legislation, the cost of an average worker's compensation case is the second highest in the nation. Per capita state and local taxes in New York are the highest in the nation, 48% above the national average. The laws Albany passed to shape our Medicaid programs are bankrupting cities and driving business away. In fact Upstate is among the slowest growing economies in America. Rochester can not afford to continue competing in a global marketplace with both hands tied behind our backs.

The City of Rochester can not become world-class in a state with such an anti-business economic climate. To help manufacturing and service businesses become more competitive in a global market place and to improve the economic climate of New York State, we propose that Bob Duffy form a non-partisan coalition of mayors from every city in Upstate New York along with other governmental units and business advocacy groups to unite under a common goal of forcing Albany to change the legislation crippling our competitive position. Reforming Medicaid, worker's compensation, Section 240/241, Wicks Law, tort law, energy policy, Scaffold Law, and public employee compensation would not cost the State even one penny in lost tax revenue. New York's tax base would greatly increase with the economic activity these reforms would generate. This would give New York the capacity to begin reducing tax rates without jeopardizing the bottom line.

In lieu of complete reform, Albany has the power to give upstate cities the capacity to opt out of economically damaging state laws. We need to see that one of these courses of action is carried out to completion.

If these changes are not allowed by Albany then a broad based group of Upstate municipalities and businesses should explore ways to take legal action against Albany including possibly withholding all monies to be sent to the state for as long as it takes to force these changes. Realistically, the state has a cash flow problem and cannot exist for long without the stream of upstate money.

Tourism

Just imagine the state of our local economy if Rochester had an additional 6,000 hotel/motel rooms (still much lower than competitive cities like Louisville and Memphis). Assuming two people per room, over 12,000 tourists per day/night would populate the city of Rochester. The key with overnight tourists: they need hotel rooms, three meals a day, and typically visit a nightclub/museum/retail store/etc. just about every day. Hundreds of millions of dollars would be generated if we were just an average tourist city. Look at any vibrant tourist oriented city, the downtown core is saturated with tourists eating, drinking, shopping and looking for entertainment. Attracting tourists should be an important function for our City.

The benefits of tourism are vast and include:

Local tax revenue

- ▶ Motel/Hotel tax revenue
- ▶ Car leasing tax revenue
- ▶ Sales tax revenue
- ▶ Airport tax revenue
- ▶ Liquor tax revenue
- ▶ Property tax revenue on tourist oriented businesses

Economic Development

- Generate positive/upbeat image of Rochester
- Nurture new residents into the community
- Help subsidize entertainment venues
- Attract investors, private sector entrepreneurs
- Create substantial number of jobs
- Brings “outside money” into the local economy
- Tourist facilities/venues/events enhance city’s “quality of life”
- Successful tourism is a tool in attracting companies to the city
- Active tourism industry helps retain young people to our region
...young people seek out vibrant, exciting tourist oriented cities

In general a good way to evaluate the level of tourism in a community is to count the motel/hotel rooms in the metro market. While it does not count the “day only tourist” it does count the very valuable and lucrative “overnight guest”. The following chart illustrates the level of tourism in Rochester as compared to other cities of similar size. Rochester is among the worst if not the worst city for a medium sized metro area in America. This should not be an indictment against the local tourist bureau. I believe they have been successful in squeezing out as many tourists as possible. The problem is the facilities/venues/events that are not competitive. Their size and quality are much below average. The bottom line: Rochester has a substantial upside potential to be a

great tourist city but presently we attract relatively few tourists to our community. This has a major financial, economic and physiological negative impact on our city, its image and its stature.

Hotel Rooms

Similar sized Metro Markets

133,000	Las Vegas
110,000	Orlando
25,000	Austin
24,000	Nashville
24,000	Charlotte
22,000	Indianapolis
21,350	Columbus
20,000	Memphis
17,600	Raleigh/Durham
17,000	Louisville
14,200	Richmond
12,000	Oklahoma City
9,000	Chattanooga, TN (half the size of Rochester)
6,600	Rochester

Because of the significant impact on our community the City's Economic Development Commissioner should have direct supervision and control of all City tourism efforts. What happens with tourism directly impacts economic viability of the City.

A list of existing and possible tourist attractions must be assembled and evaluated. In this report we have identified two specific items with the Port of Rochester being first and foremost along with the Broad Street Erie Canal restoration.

A discussion of each follows with a review of possible funding alternatives.

The Port of Rochester

The Port of Rochester must undergo the long awaited redevelopment that has already begun. We now have most of the infrastructure in place to complete this vision.

The entire area must be transformed into a destination offering substantially more than it does presently – a casino will be the anchor for this vision along with two hotels, an indoor water park, a street of shops and restaurants built along the river to replace Lake Avenue shops and stores and an upscale outlet mall complex similar to Waterloo in addition to a significant transient boat marina to accommodate summertime boating traffic. For too long we have allowed our residents to take their money out of town for goods and services not available here.

There is a straight forward no-taxpayer-cost solution for this project consistent with the overall plan for economic development – permanent job growth, increased tourism and resulting sales tax income, and increased real estate values and resulting property tax income.

Because of the high profitability of casinos this plan would require the casino operator to pay for the development and also purchase and operate the Fast Ferry.

Charlotte, now only a 3 month summer destination with very limited regional appeal, would be transformed into a 12 month venue attracting visitors from the greater six county area and beyond along with Canadians. This plan would ultimately generate millions of sales and property tax dollars for the City in addition to creating thousands of permanent jobs.

The Ferry would be managed to generate casino / tourist traffic with a net tourism trade surplus instead of only 22% of riders coming from Canada. Traffic on the ship would skyrocket simply because a casino operator would probably offer free rides to regular patrons when they deposit funds into their casino account for gaming use – a practice known as comping.

This plan keeps a casino out of the downtown district and solves Fast Ferry issues. The location is a destination with respect to the bus lines and is far from the downtown bus transfer station. Consequently there is a reduced likelihood of loitering, etc.

Broad Street Canal/Subway Restoration Project

The extensive Broad Street underground tunnel has played a major part in the economic history of Rochester. In 1812 the original Erie Canal was constructed in 1812. It was considered the major economic engine of the local economy. Most of commerce was transported on canal boats that connected Rochester with the Hudson River and New York City. The Erie Canal put Rochester on the map as one of the fastest growing areas of the country. Because of the high level of congestion with a waterway in the middle of a fast growing city, community leaders in 1919 decided to move the canal to a point south of the city (where it exists today). In 1923 a trolley/subway system was constructed. An extensive cement lid was placed on the old canal bed in the downtown district. The subway was then extended east and west at-grade to the distant suburbs. Then as the automobile became quite popular after World War II, ridership on the subway was reduced significantly. In 1956, the subway system was permanently closed. Until a few years ago, a rail line was used primarily for supplying Gannett with newsprint. The area is also used for various utilities - steam/gas lines/fiber optic cable. It is also used extensively by homeless people, especially during the winter. The underground tunnel starts at the Genesee River below Broad Street then goes in a westward direction to Nick Tahou on West Main Street then continues under Interstate 490 to a point between Frontier Field and PAETEC Park. The total length is 4,500 feet - just short of a mile.

Rather than a tunnel, the space could be considered a mile long voluminous warehouse 60 to 80 feet wide, 20 feet high, nearly one mile in length (4500'). It is approximately 310,000 sq. feet in size - comparable to three Riverside Convention Centers, or almost the size of the Bausch & Lomb Tower

The Tunnel has two distinct segments based upon their condition:

1. **From Exchange Street to Main Street:** this section of the tunnel is in relatively fairly good shape but still needs work.
2. **From Main Street to Brown Street (just North of Frontier Field):** here the road bed is in poor condition - only single supported columns- work must start soon to shore up the support and re-build the road.

Two possible options are i) to fill in the tunnel; or ii) to refurbish/stabilize the facility. In either case costs are estimated to be in the \$23 million range. We have been advised that up to 95% of the costs would be paid by Federal/State transportation funds. This amount of aid would need to be verified along with the question of whether the funds would be available for either use.

If a decision not to fill in the structure is made then there are several possible uses for the tunnel including:

Light Rail System to connect the eastern district of downtown with the western district including Kodak Headquarters, PAETEC Park, Frontier Field and High Falls. The rail

line could also be extended north to Charlotte Harbor offering another transportation connection with the Fast Ferry. This project could revitalize the western section of downtown Rochester bringing Kodak, High Falls and the sports facilities into the core of downtown Rochester.

Rebuild the Erie Canal by tearing away the cement lid. The Canal would start at the Genesee River and flow west along the current path of Broad Street possibly connecting with a point near Frontier Field/Kodak Park. A canal lock could be built just south of the Court Street bridge allowing boat traffic to flow from the Genesee River and the current Erie Canal with the restored canal in downtown Rochester. The summer use would primarily be boat traffic, with ice skating during the winter months. Such urban canals have been extremely successful in San Antonio and most recently Oklahoma City. Developing a unique attraction could spur major economic activity along the western corridor of downtown Rochester.

Creation of a below grade pedestrian walkway that would connect with the eastside skyway system. Downtown Toronto and Montreal are saturated with underground walkways, shops, service stores, restaurants, etc. It's an asset for an office building to be connected with these underground pedestrian passageways. This underground link could act as a catalyst for private sector development on the west-side of downtown Rochester.

Construction of a Recreation center as a possible temporary use. Build a skateboard park, basketball courts, an underground running track, etc. Could be a major kid-friendly recreation complex offering a very unique climate controlled facility.

Develop a major exposition center. The space is quite large and voluminous. It could be an extension of the Convention Center offering valuable space for trade shows and traveling exhibits.

Build a major underground Entertainment district. Possible location for a downtown casino, live venues for a wide spectrum of music - similar to "Underground Atlanta". This could be referred to as "Under the ROC", "Down Under" in Rochester.

Alternative Art corridor. This unique space could be transferred into a massive art workplace with public galleries dealing with a full spectrum of visual and performing arts. There is more than enough space to combine light rail and alternative uses such as underground art district.

The New York Times reported [on 12/18/2005] that New York City is losing its creative class because of high rents and high health care coverage costs. If structured properly this venue could become home for these artists. To attract these artists Rochester could have a competition for say 10 world-class artists to move here. The prize might be for the City to provide a space in the new center, pay for rent in a loft apartment for a year or two in addition to providing health coverage and possibly a small stipend. Local business owners could be approached to sponsor each artist so that the cost to the city could be minimized.

Underground Freedom Museum. This space could be used as the location for a Freedom Museum giving proper recognition to the infamous freedom fighters that lived in Rochester such as Susan B. Anthony and Frederick Douglas. (even has an “underground railroad” inference)

Recommendation. The Broad Street tunnel/subway is a very unique historic space that needs to be preserved and enhanced. Rebuilding the Erie Canal proposal is probably the most expensive and risky. With so many existing waterways in the Rochester area (Genesee River, Erie Canal and Lake Ontario) this limited use (mostly for the summer months) would find it difficult to compete for private sector investments though additional research and investigation is warranted. Possibly the best case scenario is preserving the space and creating a combination attraction with Light Rail operating on one side of the tunnel with various other activities on other side such as entertainment, art/cultural, museum, recreation and exhibition space. Hopefully, a major component of needed funding will come from State and Federal Transportation funds. Rochester needs to take risks in building exciting venues in order to attract young people, tourists and investors into the City. Rochester has a great opportunity to act boldly on such a historic space in downtown Rochester.

Capital Project Funding: *How to pay for it!*

The city of Rochester and Monroe County lack the availability of Capital funds necessary to build a dynamic, World Class City. We possess a wide array of assets but such assets are not developed at the level of size or quality to attract attention. Rochester is a diamond in the rough...but it will take capital dollars to make the diamond “glitter”. Presently Rochester does not have the glitter necessary to compete with other fast growing communities. Capital dollar investments targeted towards strategic projects within the city of Rochester is “ESSENTIAL” for a true Economic Renaissance.

For any public money capital investment it is critically important to think the project through and not complete it half way like the Fast Ferry. There should also be a review by private citizens with expertise in the specific area under study. A thumbs up should be required by such a group before committing to the project. In all cases private sector development should be the first choice and is a good litmus test to gauge a projects viability. In other words, if private investors can't see the merit maybe the project doesn't have much if any.

■ Utilizing capital funds for developing the city of Rochester is similar to a Corporation investing capital funds to generate future income.

If capital projects are properly selected, they will generate substantial increases in city/county tax revenue. Property values will go up (substantial increase in property tax income...lowering of property tax rates), sales tax revenue will increase, significant increases in the level of tourism...more revenue from Motel Hotel tax, airport tax, gasoline tax and rental car tax. Private corporations constantly utilize capital funds to develop new “products and services”, which creates a positive marketing buzz and thus generate substantial increase in sales revenue. Rochester must act like a Corporation.

Rochester has been extremely negligent in funding capital projects that enhance/expand or basically develop the many undeveloped assets that exist in the city.

■ \$250 million Capital Development Fund

The proposal involves the establishment of a revenue source necessary to fund major capital development projects that are critical to a Rochester Economic Revival. The proposal is to raise the sales tax by .25%. (from the current 8.0 % to 8.25%) . Such a tax would generate annual revenue sufficient to fund a **\$250 million capital construction Bond**. Having a \$250 million local public capital fund could easily leverage additional State/Federal/private sector investor funds. The total could easily top **One Billion Dollars** in development funds....all channeled toward the major undeveloped “regional assets” that are located in the city of Rochester.

■ Establish a goal of a \$50 million private sector capital development Endowment fund

Such a fund would be utilized to add additional dollars into the overall capital development fund. Private sector corporations, affluent individuals and local/regional/national foundations could be asked to contribute major dollars in building tangible, high profile civic improvement projects in the city of Rochester.

■ Without local capital funds many vital local projects will be delayed, reduced in size or cancelled:

Local funding of Renaissance Square, Midtown Plaza redevelopment, High Falls, Charlotte Harbor, Durand Eastman Beach Park Development, Expansion/enhancement of Highland Park, Broad Street Subway/canal redevelopment, Convention Center Expansion, etc. cannot proceed unless there is quick access to local public capital funds. The County and City of Rochester do not have the resources to generate needed Capital funds.

■ Predict Strong Support among local residents

If properly presented by Mayor Duffy and Maggie Brooks, City/County residents would strongly support such an initiative. There must be a clear understanding that only a diverse, wide spectrum of capital projects would be funded. Projects which would generate a strong positive Buzz about Rochester...projects that would strongly interest Private Sector investment...projects that would attract new residents and tourists to our city...exciting projects that would retain the high number of technical graduates of the many local colleges and universities....Projects that are cutting edge, state of the art, and sufficient “size and quality” to create a critical mass of market interest.

■ Many cities have utilized such an effort to kick start their local Economy:

Seattle, Oklahoma City, Omaha, and Jacksonville are examples of cities that have taxed themselves to fund a major capital development initiative. Oklahoma City raised its sales tax by one full percentage point for 5 years in order to fund a \$350 million construction Bond that resulted in scores of medium/major urban development projects (new baseball stadium, new sports/entertainment arena, new downtown canal, Performing Arts center expansion/enhancement...etc.).

■ The small sales tax increase will fund only essential quality of Life improvements...developing our must valuable assets.

The revenue generated will not be utilized for operational expenses of local government. Dollars will be utilized for capital projects in the area of Parks, Recreation, Arts/Cultural venues, entertainment amenities, tourists/quality of life facilities...etc. It would not fund roads, bridges, sewer systems or public administrative buildings.

■ **There are scores of cities across America with higher sales taxes than Rochester.**

Even with a .25% point increase, cities like Memphis, Nashville, Chicago, NYC, Oklahoma City and Birmingham would have higher sales taxes rates than Rochester.

The benefit of a sales tax is that up to 25% of the tax is paid by outside people (outside Monroe County)...who visit our area and pay for products and services. Actually, it is the only “regional tax”. People from greater Monroe county (Wayne, Ontario...etc) will pay the tax and support regional projects that benefit the greater Rochester Region.

Sales Tax Comparisons

<u>City</u>	<u>%</u>
Memphis, Tn	9.25
Nashville, Tn	9.25
Chattanooga, TN	9.25
Birmingham, AL	9.0
Chicago, IL	9.0
Seattle, WA	8.8
New Orleans, LA	8.75
Buffalo, NY	8.75
NYC	8.375
Oklahoma City, OK	8.375
San Antonio, TX	8.125
Austin, TX	8.25
Atlanta, GA	8.0
Rochester, NY	8.0
Las Vegas, NV	7.75
San Francisco, CA	7.75
Denver, CO	7.6
Charlotte, NC	7.5
Little Rock, AR	7.5
Raleigh, NC	7.0
Jacksonville, FL	7.0
Minneapolis, MN	7.0
Providence, RI	7.0

Conclusion

Attachments:

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Entrepreneurship Program at Plattsburgh State

Dream of owning your own business someday?

Are you a risk taker?

Want to make a difference in the business world?

"Entrepreneurs are the real heroes of our economy, the ones who risk it all to build

their businesses." --J Matthews and J. Dennis in *Lessons from the Edge Survival Stories for*

Starting and Growing a Company , 2003

Students who want to be entrepreneurs possess a greater desire to own their own businesses, invent new products and/or processes, or start up completely new enterprises. The skill set and knowledge required to achieve these goals are different from those required of Business, Marketing or Management graduates. This is a unique program with a different focus and a sufficient number of courses to stand on its own.

- The Entrepreneurship program at Plattsburgh State is the **only 4-year Entrepreneurship degree program** in the SUNY System! This, along with the School of Business and Economics' AACSB (The Association to Advance Collegiate Schools of Business) accreditation, provides a distinct competitive advantage for Plattsburgh graduates.
- The Entrepreneurship program is the **newest** business program at Plattsburgh, and the courses and experiential learning in this program make it distinct, unique, and very attractive for students.
- The Entrepreneurship program is affiliated with the (a) Small Business Development Center (SBDC) and the (b) Technical Assistance Center (TAC) that provide unique opportunities for internships in entrepreneurship.
- The Entrepreneurship program benefits from the presence of the award-winning Students in Free Enterprise Chapter (SIFE) on our campus, which provides added value to this major.

Program of Study

[Bachelor of Science \(B.S.\) in Entrepreneurship](#)

Questions, Comments, Suggestions?

If you would like more information about the Entrepreneurship program at Plattsburgh State, or to arrange a campus visit, please contact

Dr. Nancy Church, Chairperson

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E-mail: nancy.church@plattsburgh.edu

*Department of Marketing and Entrepreneurship
Redcay Hall 172
101 Broad Street
Plattsburgh, NY 12901*

Assembly Hearing on the Upstate New York Economy

Testimony of
Daniel B. Walsh, President/CEO
The Business Council of New York State, Inc.
March 6, 2002

Chairman Farrell, Chairman Schimminger, Chairman Morelle, and honorable members of the committees:

Thank you for inviting us to offer comments today. Like you, we want to see a stronger Upstate economy. We join you in believing that there are steps you, your colleagues in the Senate, and Governor Pataki can take to achieve that goal.

I'd like to start with an important point: The Upstate economy is **already** stronger than it was a few years ago. Labor Department statistics show that Upstate **gained** 23,000 jobs in the two years ending this past December, despite the nationwide recession and the economic impact of September 11. During the last national recession, a decade earlier, Upstate **lost** 72,000 jobs in the two years that ended in December 1991. That turnaround represents a better life for families all across Upstate New York.

Even after the recent job losses, in fact, Upstate's total employment is not far off the record levels experienced in 2000.

It's important to recognize the gains we've made because they are clearly related to actions that you and Governor Pataki have taken in recent years. Actions such as cutting taxes, reducing the cost of workers compensation, creating Empire Zones, and starting to bring down our high energy costs.

But we can do better. While overall Upstate employment improved noticeably during the second half of the 1990s, not every community shared in those gains, and the region still lags behind most of the country in keeping and creating jobs. We're more competitive than we were a decade ago, but we need to do more still.

How do we do that? As we've said before: **Keep rolling!** Keep doing the things that have brought New York's economy back to life.

The central importance of manufacturing

Before touching on our specific recommendations, I'd like to discuss briefly the key role that one sector - manufacturing - continues to play in the economy of Upstate New York.

For all that we hear of the, quote, post-industrial economy, unquote, manufacturing remains important all through the state. But it plays an especially vital role Upstate. North of Westchester and Rockland counties, manufacturing businesses employ 445,000 New Yorkers. That's 14 percent of the total, or roughly one in every seven jobs.

In many parts of Upstate, the picture is even more dramatic. In Rochester and Binghamton, for example, manufacturing jobs represent 19 percent of the total, or nearly one in every five jobs.

More than almost any other sector of our economy, manufacturing brings in wealth from outside the local community, outside the state and from overseas. All over the world, people buy film manufactured in Rochester. Computers made in the Hudson Valley, optical fiber invented and produced in the Southern Tier, medical instruments manufactured in the Finger Lakes region, paper from Adirondack trees, auto parts built in the Buffalo/Niagara area -

every one of these products brings wealth from around the world into Upstate New York.

That wealth generates other jobs in supplier companies, and in services, retail and other industries. The experts at Empire State Development have estimated that this spin-off effect multiplies the benefit of each manufacturing job two or three times. Governor Pataki's chief economist, Stephen Kagann, estimates that manufacturing employers, their suppliers, and businesses that rely on economic activity created by those companies represent fully 47 percent of all private-sector jobs Upstate. In the Finger Lakes region, Western New York and the Southern Tier, the figure is well above 50 percent.

Think about the role manufacturing employers play in dozens of smaller Upstate communities. There's Lowville, in Lewis County, where Kraft Foods and Climax Manufacturing provide more than 500 jobs. In the Southern Tier, in my home area of Olean and in Painted Post, Dresser Rand provides more than 2,000 jobs. In Ticonderoga, International Paper has 700 jobs and is making a major capital investment this year that will maintain those jobs well into the 21st century.

In larger cities, major employers in banking, telecommunications and other sectors are making the local economy more diverse. But those large businesses are not likely to locate in Lowville or Painted Post. We need manufacturing to keep our local communities alive for the long run.

What can New York State government do to help our vitally important industrial sector? The first thing is obvious: Do no harm.

Each year the Legislature considers hundreds of bills that relate to health care, the environment, labor costs, energy, transportation, and the responsibilities of local government. We would ask that you analyze every action you take for the impact it may have on the manufacturing jobs in the communities I mentioned. When state government increases the cost of health care, creates costly new regulations or imposes new mandates that drive up local taxes, it makes it harder for plant managers to make the case for new manufacturing investment or to protect existing jobs.

Cutting taxes to strengthen the Upstate economy

In our testimony to the fiscal committees last week, I talked about one of the most important steps you can take to stimulate the manufacturing sector that is so important to the Upstate economy. That is to **make our tax code a competitive advantage** in the effort to win new capital investment and jobs.

Today, our tax code penalizes manufacturers and other businesses when they add jobs and plants in New York. Moving to the **single sales factor** will change that equation, eliminating plant and payroll from the income apportionment formula and making the Empire State a better location for investment.

The second major change we have proposed in the corporate tax code is **repeal of the alternative minimum tax**. The AMT waters down the value of the investment tax credit, which has served for more than 30 years as one of New York's most important incentives for capital investment. The ITC has helped stimulate billions of dollars in investment. During the late 1970s and early 1980s, when the Legislature increased the ITC from 2 percent to 6 percent, our share of the nation's capital investment in manufacturing **increased**. After Governor Cuomo and the Legislature created the AMT in 1987, the ITC was less valuable than before, and our share of total capital investment **went down**. Then, after you and Governor Pataki cut the AMT from 5 percent to 3.5 percent in 1995, our share of the nation's capital investment started to **go up** again.

Clearly, there is a direct connection between the cost of capital investment in New York and the amount of such investment we will receive. That's why repealing the AMT makes sense - especially for Upstate.

The **Empire Zones** that were created at the initiative of Speaker Silver and the Assembly Majority are tremendously effective additions to our arsenal of economic development programs. We support Senator Bruno's proposal to provide parity in the zone program by locating an Empire Zone in every county. We want to see more job growth in

every part of New York State, and the Empire Zones will help achieve that goal.

We also strongly support the proposals that Majority Leader Tokasz, Senator Stafford and the Governor have made to reform the **railroad property tax**. A new report from our Public Policy Institute, *On the Wrong Track*, points out that the heavy tax burden on railroads drives up costs and limits transportation options for manufacturers.

For many manufacturers, property taxes are an uncompetitive cost of doing business in New York, compared to other locations. **State mandates** drive up local taxes by billions of dollars a year at the same time they make our public schools and other vital services less effective. We strongly support Governor Pataki's initiatives to reform the Wicks Law and rules for binding arbitration, in an effort to restrain the burden of local taxes.

Let's stop wasting precious sites

Upstate cities suffered badly in the 1990s. All were hit hard by the recession in the early part of the decade. Many have experienced shrinking population, a tax base in decline or at best stagnant, and a feeling that the best days were in the past.

One thing the Legislature can do to bring new life to Upstate cities - as well as those in the downstate region - is to enact a realistic approach to the issue of redeveloping **brownfields**. We urge you to act on this important issue this year.

A realistic approach means one that bases cleanup standards on the intended new use of the property and the potential risks that would be associated with such use. For example, new industrial use would suggest a different standard than if the property were to become a residential neighborhood.

We want developers to seek out opportunities for involvement in brownfield properties. That will not happen unless potential developers have a high degree of certainty regarding cleanup costs, future liability, and the timetable for review of projects.

We have given the administration and Legislature suggested amendments to the Executive Budget proposal regarding brownfields, and we look forward to working with you on effective economic and environmental incentives for brownfield cleanups and redevelopment. We urge you to reject the Executive Budget's proposed new fees on generators of hazardous waste. This proposal would impose roughly a ten-fold increase in hazardous waste-related fees, paid mostly by manufacturers and utilities.

Building on our success in R&D

More than ever before, manufacturing is a high-tech business. We've seen an incredible burst of research and development in recent years, much of it by manufacturing companies. Advances in R&D are bringing us new businesses and new jobs, in some cases replacing traditional manufacturing jobs that are gone for good. We may never see Bethlehem Steel employing tens of thousands in Lackawanna. But we can take pride in long-established, high-tech companies such as Moog, a world-class manufacturer of precision control systems for aerospace, industrial and military applications, based in East Aurora. One of the company's recent contracts is to refurbish flight control hardware for the Space Shuttle. Employers such as Moog provide the good jobs we want staying and growing in New York.

During our testimony to the fiscal committees last week, we talked about the importance of a multi-year program to invest several hundred million dollars in research and development, to bring still more high-tech growth to New York. We were pleased to see the Executive Budget include a significant investment in research universities - \$250 million for buildings and equipment, and significant increases in the programs administered by NYSTAR.

As you know, the competition among states for R&D investment is fierce. But your support, and that of the

Governor, will position major universities across Upstate New York to help create thousands of high-paying jobs.

Other key issues

The cost of energy remains a key concern for manufacturers and other Upstate employers. As of 1999, New York's average industrial rates for electricity were 40 percent higher than the national average, and average commercial rates were 54 percent higher than average.

We need new generating capacity both to guard against potential shortages of electric power, and to provide the competitive marketplace that will bring reduced costs. A recent report by our Public Policy Institute estimated we will need more than 9,000 megawatts of new generating capacity within the next five years to meet these goals.

We support the **proposal by the Independent Power Producers of New York** that has been introduced by Assemblyman Tonko and Senator Wright. The bill would reduce the sitting timeline from 12 to eight months, with a six-month process for former industrial sites, among other important changes. The bill maintains the continuity needed for project developers in the deregulated market while addressing the problems in the current sitting law which expires this year.

The **Power for Jobs** program you and the Governor created has reduced energy costs for businesses that employ thousands of New Yorkers. We support legislation that continues allocation of low-cost electricity and insures that providers and distributors are held harmless from any new costs. We have been in touch with the Power Authority and the chairs of the respective energy committees to support the reallocation of the power allocations due to expire this year and in 2003. We have also addressed this important issue in testimony before the Assembly hearing on Power for Jobs and in our comments on the State Energy Plan. The Governor has proposed extending all current contracts that expire this year; we strongly support that step.

We need to help employers reduce the cost of creating and keeping jobs in New York. In **workers' compensation**, for instance, we have suggested attacking high costs by creating a reasonable cap on benefits for partial disabilities, and adopting objective medical guidelines for assessing specific injuries.

The **high cost of health care** is another major concern for employers all across Upstate New York. We urge you to act on the sole-proprietor bill sponsored by Chairman Morelle as one important step toward more affordable health-care costs for all employers.

Thank you again for the opportunity to speak with you. We look forward to working with you, Speaker Silver, the Senate and Governor Pataki to build a stronger Upstate economy in the year ahead.

[Privacy Statement]



The Business Council of New York State, Inc. • Albany, New York
New York's Statewide business organization:
Working to create an economic renaissance for New York State and its people.



NEWS RELEASE

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STUDY: MANUFACTURING STILL MATTERS TO NEW YORK ECONOMY, ESPECIALLY UPSTATE, AND NEW STATE POLICIES CAN HELP IT THRIVE

ALBANY—Manufacturing remains an essential foundation of New York's economy, especially upstate, where half of all jobs depend on manufacturing, a new report concludes.

The study, *The Key to the Upstate Economy? Manufacturing - Still*, also concluded that new government policies to enhance competitiveness of traditional and high-tech manufacturers would make New York more prosperous. The report was published today by The Public Policy Institute of New York State, the research affiliate of The Business Council. The full report can be found at www.ppinys.org/reports/2002/manuf2002.pdf.

State government policies over the last decade have made New York's manufacturing sector more competitive. In the last year, both New York and the upstate region in particular outperformed the nation.

More policy changes are needed to help New York manufacturers compete, the report concluded. Policy changes that could help manufacturing include further tax reductions, increased electricity capacity, workers' comp reforms, and other steps to ease the costs of job creation in New York.

Why manufacturing still matters: Recent struggles for the nation's manufacturing sector have prompted some politicians and corporate critics to resurrect arguments that New York's manufacturing sector is dead, and the economy must "move on."

But manufacturing remains "the center of opportunity for millions of New Yorkers," especially upstate, the report said. In larger cities, such as Rochester and Schenectady, and smaller communities, such as McConnellsville (Oneida County) and Ticonderoga (Essex County), the manufacturing employers such as GE, Eastman Kodak, Harden Furniture, and International Paper offer a number of powerful economic benefits:

- . Manufacturers directly employed 805,200 New Yorkers as of June 2002 -- more than 11 percent of all private-sector jobs in the state, the report noted. Upstate, manufacturing jobs were 17 percent of all private-sector jobs, or one of every six. That's more than the nation as a whole, in which 15.2 percent of non-government jobs are in manufacturing.

- . Manufacturers create spin-off jobs with contractors that provide direct services to manufacturers, and services provided to manufacturers and their workers in the retail, service-sector, and not-for-profit sectors. The Governor's Office of Economic Affairs estimates that each manufacturing jobs creates 2.67 other jobs in supplier firms, in companies that sell goods or services to workers and their families, and in government, the report noted. Using this multiplier, the report estimated that upstate has 1,583,238 jobs that rely on manufacturing - 49.6 percent of all upstate jobs.

- . Manufacturing jobs tend to pay more, and come with more generous benefits, than jobs in other sectors. For example, in auto manufacturing, which remains the most important sector in the economy in western New York, workers earn an average

of \$1,063 per week, according to state Labor Department figures.

Manufacturing jobs are considered especially valuable to an economy because they import wealth from around the country and the world, the report noted.

"Manufacturers export goods from their home area, and import the wealth earned by the sales," the report said. "A local hospital, by contrast, may have as many employees as the local manufacturer, but the money they have to spend in the community comes almost entirely from the local community."

Citing U.S. Census Bureau data, the report showed that manufacturing in New York led to \$85 billion in net new wealth in New York in 2000.

How manufacturing in New York lags the nation: Manufacturing in New York is faring better than it was 10 years ago, but still lags the nation's manufacturing sector, the report said. In a five-year period ending in June 2002, manufacturing jobs declined nationally by 10 percent -- and, in New York, by 13 percent.

That is much better than the performance of the state's manufacturing sector in the recession of the early 1990s, and Albany's efforts to improve the state's business climate deserve credit, the report noted. In the most recent year, New York has continued to lose manufacturing jobs, but at a slow pace than the nation.

To improve New York's competitive position further, the state can and should enact more policy changes to make the state's business climate most hospitable to manufacturing. Specifically, the report recommended that state lawmakers:

- . Eliminate or reduce the state's alternative minimum tax, which limits the effectiveness of New York's investment tax credit in encouraging manufacturers and securities firms to make capital investments in the state.
- . Adopt the single-sales factor method of apportioning corporate income for state tax purposes. This would lead to an additional 32,000 manufacturing jobs in the state, with an overall employment increase of more than 130,000, according to a report by two economists in a 2001 report by The Public Policy Institute.
- . Enact additional cost-cutting reforms to workers' compensation, the costs of which remain 27.7 percent higher than the national average according to the most recent available figures.
- . Continue efforts to reduce energy costs, which is especially important in manufacturing because manufacturing processes tend to be energy-intensive. In particular, the paper noted, the state must site new electricity-generating facilities to help reduce electricity costs further and ensure an adequate supply of power.
- . Develop new approaches to economic-development programs to help existing New York businesses compete. The programs are necessary to complement successful state programs designed to attract new businesses from out of state and to encourage expansions of existing businesses.
- . Enact brownfield reform to encourage redevelopment of abandoned sites -- specifically, by giving parties that redevelop sites relief from liability for contamination they didn't cause, and by enacting clean-up standards that reflect the intended use of a site.
- . Create new state efforts to promote the importance of manufacturing to discourage not-in-my-backyard opposition to many proposed manufacturing facilities, and efforts to promote the advantages of careers in manufacturing in the state's vocational education and workforce training programs.
- . Reject efforts by organized labor to enact policies that would increase employers' costs of job creation without any cost-cutting reforms to offset the increased costs.

"Clearly, manufacturing still matters in New York. And the way that this state treats manufacturers - in its tax policy, business regulations, and sitting decisions - matters as well," the report said.

"New York manufacturers are proving it's still possible to make it in the Empire State. With the right policies from Albany and from local governments, they will continue doing so for a long time to come."

[E-mail this page](#)



Executive Order: Encouraging Innovation in Manufacturing

By the authority vested in me as President by the Constitution and the laws of the United States of America, including the Small Business Act, as amended (15 U.S.C. 631 et seq.), and to help ensure that Federal agencies properly and effectively assist the private sector in its manufacturing innovation efforts, it is hereby ordered as follows:

Section 1. Policy. Continued technological innovation is critical to a strong manufacturing sector in the United States economy. The Federal Government has an important role, including through the Small Business Innovation Research (SBIR) and the Small Business Technology Transfer (STTR) programs, in helping to advance innovation, including innovation in manufacturing, through small businesses.

Sec. 2. Duties of Department and Agency Heads. The head of each executive branch department or agency with one or more SBIR programs or one or more STTR programs shall:

(a) to the extent permitted by law and in a manner consistent with the mission of that department or agency, give high priority within such programs to manufacturing-related research and development to advance the policy set forth in section 1 of this order; and

(b) submit reports annually to the Administrator of the Small Business Administration and the Director of the Office of Science and Technology Policy concerning the efforts of such department or agency to implement subsection 2(a) of this order.

Sec. 3. Duties of Administrator of the Small Business Administration . The Administrator of the Small Business Administration:

(a) shall establish, after consultation with the Director of the Office of Science and Technology Policy, formats and schedules for submission of reports by the heads of departments and agencies under subsection 2(b) of this order; and

(b) is authorized to issue to departments and agencies guidelines and directives (in addition to the formats and schedules under subsection 3(a)) as the Administrator determines from time to time are necessary to implement subsection 2(a) of this order, after such guidelines and directives are submitted to the President, through the Director of the Office of Science and Technology Policy, for approval and are approved by the President.

Sec. 4. Definitions. As used in this order:

(a) "Small Business Innovation Research (SBIR) program" means a program to which section 9(e)(4) of the Small Business Act (15 U.S.C. 638(e)(4)) refers;

(b) "Small Business Technology Transfer (STTR) program" means a program to which section 9(e)(6) of the Small Business Act (15 U.S.C. 638(e)(6)) refers;

(c) "research and development" means an activity set forth in section 9(e)(5) of the Small Business Act (15 U.S.C. 638(e)(5)); and

(d) "manufacturing-related" means relating to: (i) manufacturing processes, equipment and systems; or (ii) manufacturing workforce skills and protection.

Sec. 5. General Provisions. (a) Nothing in this order shall be construed to impair or otherwise affect the authority of the Director of the Office of Management and Budget with respect to budget, administrative, or legislative proposals.

(b) Nothing in this order shall be construed to require disclosure of information the disclosure of which is prohibited by law or by Executive Order, including Executive Order 12958 of April 17, 1995, as amended.

(c) This order is intended only to improve the internal management of the executive branch and is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity, against the United States, its departments, agencies, or other entities, its officers or employees, or any other person.

GEORGE W. BUSH
THE WHITE HOUSE,
February 24, 2004.

**ECONOMIC DEVELOPMENT SUBCOMMITTEE
TRANSITION TEAM**

**INTERNAL: WORKING STRUCTURE OF ECONOMIC
DEVELOPMENT DEPARTMENT
COMMITTEE**

Eduardo (Ed) J. Navarro, Chairman

Subcommittee Members:

A.Algarin;J.Bertolone;J.Billone,Jr.;D.DiLoreto;
E.Futerman;L.Glazer;T.McCauley;S.Parker;G.Passero;
M.Rodriguez;K.Saucke;T.Tompkins;C.Whitman

THOUGHTS AND RECOMMENDATIONS

Thoughts:

It is the general consensus of the committee that the Economic Development Department of the City of Rochester requires a complete new focus and “cultural change.”

The Economic Development Department must develop a vision for its economic core as a “business friendly entity” whose primary mission is job creation and business retention. The department needs to address the many shortcomings depicted by the general subcommittee members SWOT Analysis and put into action the recommendations for operations and tracking the success of its initiatives.

It is further recommended that a “Task Force of Business Advisors” be convened to monitor the progress of the recommendations.

NOTE: Samples of the SWOT Analysis are Attached
(Chosen by the Chairman and Names Withheld)

Recommendations:

Leadership Profile

The committee recommends that the administration seek an individual to lead the department that has the talent to create an Economic Development Department that will be world class in its approach to “Customer Driven” service.

The individual must have the ability to understand the fiscal challenges of the present times and the creativity to partner with others to drive economic growth in execution of the department’s mission.

A respected, community minded, well versed in the delicate nature of inter departmental cooperation and multi government agency relationship to build goodwill, must be a key strength.

Ideally, this individual must be an experienced and proven business executive with entrepreneurial, sales and marketing skills; and with the people skills to navigate the challenges of restructuring the department while delivering on the Administration’s initiatives.

Within the first 60 days

Strategic Goals

- Establish a Customer Service Driven Department
- Create a Client Services Outreach Team – “TEAM ROCHESTER” – who have a “How can I help you” mentality that is developed through cross-training of all positions within the EDD. Become aggressively user-friendly in every division of the EDD.
- Appoint “Client Champions” to Assist Businesses Navigate the Bureaucracy
- Create a Financial Team to Guide and Advice Businesses on Available Loan Programs
- Create a Team to Aggressively Target and Lobby All Available Discretionary Grants from Contributing Agencies
- Move the Parking Department out of the current Economic Development Department.

Outreach Initiatives

- Develop Marketing Peripherals
 - ❖ Involve news media like R-News to do a weekly update on the Rochester area. Interested viewers who want to participate will be given a point of contact.
 - ❖ Work to improve the usability of the current website
 - ❖ Present this as a challenge for Professors at our local colleges to assign this task to their advertising and/or P.R majors. This will involve them in the community and will keep graduates from moving away.
 - ❖ Approach Advertising agencies to participate by assigning marketing or advertising tasks to junior people on staff.

- ❖ Determine marketing trends for the current Economic Development Department – are they efficient and appropriate to the sectors they are trying to reach?
Create a unified marketing message through work with other agencies and organizations with which the EDD shares a common goal.

➤ Develop Asset Tracking Mechanism

- Companies
 - ❖ Track Companies thru Business Journal articles
 - ❖ Group companies thru size, products, service and geographic area they service (local vs. global).
- Buildings
 - ❖ Track through weekly real estate transactions.
 - ❖ New development thru building permits
 - ❖ Code Enforcement-Buildings that need to be torn down
 - ❖ Absentee landlords that are consistent violators
- Vacant Land
 - ❖ Based on tax records.

➤ Increase collaboration with Colleges and University's

- ❖ Incentive for colleges –Prevent the “brain drain” of talent from area. Convince students before they graduate to stay in the area based on what is offered here locally from an employment, housing and culture incentives for students to stay in the area. Try to reach the parents of local students to convince them to keep the family unit in Rochester.

➤ Develop Working Marketing Strategies with Other Agencies

- These agencies, and others, must sit down together and work to plan out unified marketing, fiscal, and customer service-driven strategies that will allow them to work as a functioning unit,

instead of the disparate entities that currently exist and experience a lack of a common goal and purpose.

- ❖ Greater Rochester Enterprise
- ❖ Rochester Downtown Development Corporation
- ❖ Rochester Business Alliance
- ❖ Empire State Development
- ❖ Monroe County EDD
- ❖ Small Business Administration
- ❖ Rochester Gas & Electric
- ❖ Others

Performance Measures

Note: All performance measures should be evaluated and established only after determining which measures are already in place, so as not to reinvent the wheel.

- Develop Program Specific Performance Measures (e.g.)
 - ❖ Number of new jobs created
 - ❖ Number of customers assisted with financing/incentives
 - ❖ Number of desirable sites made suitable through assistance
 - ❖ Number of new companies, expansions and start ups
 - ❖ Dollars made available through tapping; City/County/state/Fed programs
- Develop Employee Performance Measures (e.g.)
 - ❖ Complete Client Lists
 - ❖ Complete Asset Inventory – Bldg, Land, Sites
 - ❖ Complete Marketing Peripherals
 - ❖ Number of deals in the pipeline
 - ❖ Number of proposals worked on

At 90 days

- Begin an informational campaign through direct mail and select media informing Rochester of what new and improved in the economic development department.

At 180 days

- Start developing a comprehensive asset evaluation report with a tracking/monitoring procedure.
- Begin a plan that will be implemented in phases to aggressively turn vacant land and building into tax generating properties. And the only criteria for acceptance, is that it doesn't feed on the ignorance of the poor or exploit the elderly.

**EXISTING ASSETS SUBCOMMITTEE
Draft Final Recommendations, 1/27/06**

OVERARCHING RECOMMENDATIONS

The skill sets to properly evaluate deals and to construct RFPs and contracts for the redevelopment of City-owned property and for a variety of services do not generally reside in the staff in City Hall.

While there is a strong sense in City Hall about the need to protect the City's interests, there is an inability to effectively act on those concerns. This has been evident in the structure of the contracts with Cordish in High Falls, agreements with parking garage operators, the Ferry Terminal deal, and the current Bay Ferries contract to run the Fast Ferry.

There are three core recommendations that would have a positive impact on these issues and should be reflected in the recasting of the City's future economic development operations and functions:

1. ***CONVENE ADVISORS FROM THE BUSINESS COMMUNITY.*** This standing group might be constructed as a larger "stable" of talent and experience from the legal, real estate development and business operations spheres that can be pulled in as needed to provide advice and evaluation for particular issues and situations, blended with City staff involved in a specific project.
2. ***THE CITY SHOULD NOT BE RUNNING A BUSINESS OR MANAGING REAL ESTATE ASSETS.*** It is inappropriate for the City to enter the competitive market as a developer/owner for several reasons: (A) if the private market "passes" on a project, the City should be extremely wary of jumping in, as future financial losses may be significant; and, (B) the City lacks the internal skill set for the long-term management of private market projects.
3. ***DEVELOPER OF LAST RESORT ROLE MUST BE CAREFULLY EVALUATED.*** The City has rightly asserted this role in a number of situations that have resonated with City Council and the public. However, many of these contracts, purchases and agreements do not have a defined, market-realistic, exit strategy for the City should they become financially untenable given unanticipated outcomes and market conditions. This is also true for situations when the market rallies, and the opportunity emerges to turn the project over to a private developer or operator at a profit to the City.

FAST FERRY

The Existing Assets Subcommittee members had no access to information regarding the City's actual Fast Ferry operating experience. This significant lack of relevant information prohibited any meaningful review of the long-term viability of the Fast Ferry as a business operation. Therefore, the Subcommittee had to confine its recommendations to the process by which the new administration should approach such a review.

In addition, the recommendations below were made prior to the changeover of administrations, and before Mayor Duffy's new team had full access to the Fast Ferry project files in City Hall.

RECOMMENDATIONS

The following recommendations relate to the critical issues that must be considered as the City proceeds to evaluate the next steps regarding the ferry.

1. The request to raise \$11.5 million through bonds has been made by the current administration. Regarding immediate steps, it is strongly recommended that:
 - **EFIC SHOULD BE IMMEDIATELY APPROACHED TO TRY TO RENEGOTIATE THE PAYMENT SCHEDULE.**
 - The previous management of the Fast Ferry exhibited an alarming lack of appropriate expertise, aggressive marketing, a creative market building strategy, and experienced entrepreneurial “start-up” management. **THE FERRY DESERVES A BETTER SHOT AT SUCCESS, AND NOTHING SHOULD BE DONE TO PRECLUDE THIS.**
 - **AN EARLY-STAGE, PRIVATE MARKET, ADVISORY GROUP SHOULD BE ASSEMBLED IMMEDIATELY** to provide realistic, market-oriented advice on next steps and critical issues. This group should be separate from the Rochester Ferry Corporation board. Long term, this group could help drive revenue to the ferry.
2. Reconstitute the board of the Rochester Ferry Corporation to reflect greater representation from the private sector. In particular, it should represent experience from industries with a vested interest in the outcome and/or with significant presence on both sides of the lake (e.g., auto industry, wine industry, tourism, music and the arts).
3. The current Fast Ferry business plan is wholly inadequate. Produce a defined business plan that recognizes that this is an entrepreneurial operation and shows that the Fast Ferry can operate in the black, in a long-term sustainable way. It should address the following issues:
 - Carefully evaluate the current business plan, assessing shortfalls in the original assumptions

- Address a variety of issues including the size of the current vessel (is it too big?), wintertime lease options, uses of the boat while docked (e.g., weddings, parties, VLTs, etc.), scheduling of the runs (current schedule precludes Canadian daytrips), and the value and advisability of truck traffic given the impacts of this customer base (slows the speed of the boat, increases fuel costs)
 - How can losses be reduced – can the ferry ever realistically be profitable?
 - Can funding and revenue be identified that would specifically reduce the outstanding principal?
 - Cost of owning vs. cost of operating needs to be clearly evaluated and understood
 - A risk assessment process needs to be applied to the business plan – need to define “acceptable risk” and “acceptable loss” from the community’s point of view
 - Should the City outsource operation of the ferry to a private entity, much like a “master lease”, where that entity assumes all liabilities and upside revenues?
 - Can the current agreements be renegotiated to the mutual benefit of all parties?
4. Develop and evaluate alternatives models for ownership of the Fast Ferry. These might include transportation authority ownership, private ownership, joint partnership with equity partners, etc. Divestiture should be considered as an option. A simple transfer of ownership to a private entity may be precluded by the project’s troubled history.
 5. New markets need to be created for the Fast Ferry service, with the boat itself as one of the marketing venues. These might include: links to Rochester region arts & cultural venues and activities; video lottery terminals (VLTs); connections to Finger Lakes wineries; inexpensive vacation homes for Canadians; and, lower cost back office & U.S. locations for Toronto businesses.
 6. What is an acceptable level of subsidy? It is possible that the ferry is like a stadium or a convention center for which annual public subsidies are assumed and accepted. (Note that the ferry project was sold to the community under the assumption that there would be no local subsidy involved in its long-term operation.)
 7. If the ferry benefits the entire nine-county and Finger Lakes region, why is the poorest jurisdiction the only entity with financial responsibility? The business case for why other governmental entities in Monroe and the surrounding counties ought to have a financial stake in the Fast Ferry should be made aggressively, and a new partnership between multiple governments should be proposed.
 8. An exit strategy needs to be identified, in addition to what occurrences would trigger that process.
 9. What is the cost to the community of the failure of the Fast Ferry, both in terms of a view of failed Rochester leadership from the outside and in terms of the community’s view of itself? While this is not readily translated into a financial figure, the impact of failure on the community’s reputation and ability to generate success may be significant and could affect future large-scale projects.

SIBLEY'S

BACKGROUND

- Sibley's is a privately owned complex involving two distinct buildings – the former Sibley's department store and Sibley Tower. The complex has 866,500 sq. ft. When the MCC operation moves into Renaissance Square in 2009, the complex will be 88% vacant.
- The Urban Land Institute and a number of local real estate developers and professionals have asserted that redevelopment of the Sibley's Complex should be the first priority in the area surrounding Renaissance Square and Main & Clinton. Market-rate housing has been identified as the lead component in any market-appropriate redevelopment scenario.
- Plans to develop a \$500 million, Indian-owned, gaming casino that would have redeveloped this property (as well as the Midtown block), collapsed when Governor Pataki withdrew his support in July 2004. It has been suggested – although not confirmed – that a casino development is still being considered for this complex. Plans for either an Indian-owned Class III casino, or video lottery terminals (VLTs) which do not require tribal ownership, would require approval by the Governor's office and the NYS Legislature.
- The property is currently in arrears for a number of loans and PILOT payments, in addition to associated accrued penalties, interest and late fees.
- The first lien holder is I.B.E.W., a union pension fund. Of particular significance to the City is a \$4 million Section 108 loan to the developer for which the City is liable in a situation of non-payment. The City has been repaying HUD on behalf of Rochwil Associates, the Wilmorite entity that owns the Sibley Complex, with monies out of Rochester's annual CDBG funding. Rochwil Associates is also in arrears on a City development Float Loan totaling \$1.5 million.
- The total debt exceeds the property's current market value, effectively chilling any opportunity to borrow funds to redevelop the property, or to sell it to another willing developer. As a result, the potential to redevelop the Sibley Complex remains frozen.
- There is a general belief that if the debt situation can be resolved or substantially reduced, a viable market value could be reached and the property would turn over for feasible private redevelopment.

RECOMMENDATIONS

1. The new Mayor has an opportunity to trigger a more viable redevelopment opportunity by accelerating a resolution of the debt situation.

2. It is not likely that the money owed to the City connected with this property will be repaid (the Section 108 loan, Float Loan, and outstanding PILOT agreement balance). It is therefore necessary to realize this as a likely outcome in any potential solution.
3. The casino issue requires consideration before a viable redevelopment strategy for the Sibley Complex can be appropriately pursued.

Should the community move toward supporting a downtown casino, or if the casino project at Sibley's re-emerges through Wilmore, a careful process to negotiate on behalf of Rochester early in the development of any agreement between the Governor's office and a tribe should be activated.

Issues regarding the content of any compact, the development of a community benefit agreement, and any opportunities to influence the character and design of a casino should be aggressively pursued by the community's leadership. The Mayor should play a lead role in any such process, including direct contact with the Governor's office.

MIDTOWN

BACKGROUND

- The Urban Land Institute's national panel has recommended that the redevelopment scheme for the Midtown block should include a total of 350-450 housing units in an "urban village" style, mixed-use center that includes a public plaza or park, a medium-sized performing arts theater, new street-level retail, and residential-over-retail buildings. Some level of demolition, perhaps significant, would be required to accomplish this.

Four- to five-story structures are appropriate with a mix of rental and condominium ownership at a variety of price points, some with first floor retail. The ULI also suggested that a new street should segment the block to restore the natural street grid.

- The Midtown property is now privately owned by Blackacre Capital, which is current on all of its local property tax payments. There is no outstanding debt on the property.
- Midtown Plaza consists of five office buildings and a connecting retail mall, much of which dates back to the early 1960's. Many of the buildings share interconnected building systems, and the total complex totals 1.04 million sq. ft. of commercial space. There have been no building or system upgrades in 45 years. It is currently 50% vacant.
- The City owns the three-level, 1,843-space underground parking garage, and has an agreement with the current owners to operate the garage. The Midtown garage is critical to the employees and leasing in a number of office towers adjacent and connected by skyway to Midtown.

- It is believed by local real estate experts that there is too much commercial space in Rochester's regional marketplace, and that much of the commercial space in the Midtown complex is difficult to lease due to old-style floor layouts, deferred maintenance and need for modernization to the buildings and building systems, and the lack of a viable redevelopment plan for the property.
- Feasible redevelopment of this large-scale property has been stymied by the costs involved with any required asbestos remediation and in the demolition of non-viable structures necessary to move any development forward (\$15 – 25 million estimated for demolition alone). Given the post-redevelopment regional rental rates and sales prices for commercial and residential real estate, no acceptable return on investment is achievable if the developer needs to sink these costs into the property.
- The Urban Land Institute has recommended a reduction in the total size of the property, market-rate housing, public open space, a mid-sized theater, and Main Street-oriented retail as a market- appropriate concept for redevelopment on this block. The concept for ultimately “unbundling” (subdividing) the block to create smaller developable sites that could involve more than one developer has also been discussed as a strategy.
- Given its size and physical complexity, solutions for the impediments that inhibit feasible private-market redevelopment of Midtown (as recommended by ULI) are considered more difficult and challenging than those suggested for the Sibley Complex, where redevelopment is less structurally complicated. Such solutions will likely take considerably longer to move forward and may be ultimately triggered by other outside factors, such as a sale of the property.

RECOMMENDATIONS

1. The recommendations out of the Urban Land Institute process should be supported over the long term relative to the concepts for a Midtown redevelopment scenario. Any solution on the Midtown block needs to involve a reduction in overall commercial space.
2. There should be a conservative timeline for Midtown. Renaissance Square and a redevelopment of Sibley's will be catalytic, and will likely drive increased value and redevelopment potential on the Midtown site.
3. There are a number of “big ticket” projects vying for public sector funding and attention at this time, including the Fast Ferry and Renaissance Square. The timing and phasing of these and of any public/private solution for the Midtown block need to be carefully advanced.
4. A commitment by the new administration to explore a variety of options for crafting a public/private partnership to propel redevelopment of this critical block forward is essential. ULI's recommendation to create a Downtown Development Authority to drive such complex downtown development projects is currently being explored by a joint City, County and private sector effort. The ultimate recommendations by this group of experts should be considered seriously by the City.

5. In any case, the involvement of a group of real estate stakeholders working with the new administration to evaluate viable options for City involvement should be built into the process as the community moves forward on these issues.

HIGH FALLS

BACKGROUND

- The City has invested over \$10.6 million to operate its facilities in High Falls since FY 1992-93. This includes management of festivals, the laser light show, the Interpretive Center, and the Centers at High Falls facility, and maintenance of the adjacent historic water wheel site.
- In 2003, the City entered into two agreements with the Cordish Company, both now halfway through five-year terms. The first is a lease on the Centers at High Falls building, and the second is an agreement to operate the facility. Each agreement has 2 ½ years left on its term.
- Under these agreements, the City paid Cordish \$515,000 for each of the first two years, and \$465,000 for this fiscal year (2005-06). Cordish operates the Interpretive Center at a net annual cost of \$100,000, and maintains the historic water wheel site. It is perceived that Cordish has under performed.
- Tiki Bob's, McFadden's and Triphammer all have subleases directly with Cordish.
- The initial NYS Urban Cultural Park funding agreement requires that the Interpretive Center be kept operating with free admission to the public as long as the original bonds are being paid out, approximately seven more years.
- Cordish has requested the opportunity to negotiate a rollover of their agreements early, for a second five-year term beginning in FY 2008-09.
- The media and public have been critical regarding the success of the High Falls District
- Two major housing projects are now planned or under development in High Falls for the first time.

QUESTIONS ASKED

- Should the City extend the Cordish agreements 2 ½ years early, rolling the current building lease and operating agreement over for a second five-year term?
- If not, should the City keep or sell the Centers and High Falls building in 2 ½ years when the current agreements with Cordish run out? Is continued ownership of High Falls an appropriate function of the City Government?

- Would the Centers building be worth more in 2 ½ years given the housing developments being contemplated or underway in High Falls?
- Is the substantial public investment in the High Falls District been successful?

RECOMMENDATIONS

1. **DON'T RENEGOTIATE THE CORDISH LEASE AND OPERATING AGREEMENT EARLY.** Let it run out over its remaining 2 ½ years.
2. **START REEVALUATING THE LEASE AND OPERATING AGREEMENT NOW,** regarding the following:
 - Is there any way to break the current contracts early? Look at the contracts with Cordish now to make this determination.
 - Should the lease be renewed with Cordish or another operator at the end of the current term? The Subcommittee does not recommend renewing the agreement with Cordish, viewed as having under performed under the current contract.
 - Review the terms of the subleases at the Centers. Are these bar/restaurants likely to renew their subleases in 2008?
 - Evaluate the existing terms and conditions of the current lease and consider modifications and alternatives to leasing the property, with sale as a possible alternative.
3. Over the next two years, **REEVALUATE THE MARKET VALUE OF THE CENTERS PROPERTY.**
 - Determine whether a lease or sale at that point would be cash positive for the City.
 - Consider selling the property in 2008.
4. **CREATE A PERMANENT COMMITTEE OF REAL ESTATE EXPERTS TO ADVISE THE CITY IN THE FUTURE BEFORE IT ENTERS IN TO SUCH DEALS.** While the City arguably should act as the developer of last resort in certain circumstances, the resulting agreements should be structured to better protect the City.
5. **RE-BRAND HIGH FALLS BY RECASTING ITS CURRENT IMAGE AS A FAILED ENTERTAINMENT DISTRICT,** by articulating other unexpected impacts of the City's investments:
 - The value of the tax base in High Falls has more than doubled since 1994. This increase will be even greater when the Empire Zones benefits run out.
 - Public funds totaling \$32.7 million (NYS, City) has yielded \$34.8 million in private investment and leveraged the creation and retention of 431 jobs.
 - The reality is that High Falls is not a legitimate entertainment district anymore. But the office market is significantly stronger, and substantial new housing is being developed which will change the market dynamics in the district.

DOWNTOWN HOUSING DEVELOPMENT

BACKGROUND

- Housing has been the most significant redevelopment engine in the downtown arena for several years, and this market force continues to drive investment in the Center City. Riding a national wave of interest in the “urban lifestyle”, Rochester continues to see a strong appetite for downtown living from young professionals, empty nesters, and well-heeled people (some former suburbanites) looking for market-rate and luxury units.
- **Existing housing** = 2,220 units, 3,330 residents, 3.9% vacant overall, 5.2% vacancy in market-rate units
Planned/under development = 307 units, with more projects to be announced in 2006
- A national panel of experts through the Urban Land Institute came to Rochester in June 2005 to develop recommendations for the community on the redevelopment of the Main & Clinton area. A group of local housing development experts was convened this fall to evaluate ULI’s comments, and the following represent their strategic recommendations.

RECOMMENDATIONS

1. **SUPPORT ULI’S HOUSING RECOMMENDATIONS** – The basic ULI housing findings should be embraced. Subsequent advocacy efforts should focus on how to accelerate the development process and provide a clear articulation of incentive packages and programs. For example, buildings and development sites could be “pre-packaged” so that would-be developers can ascertain from the outset what programs – local, state, and federal – are applicable to a given site.
2. **DELIVER RECOMMENDATIONS TO NEW CITY ADMINISTRATION** – Prepare process-related and other recommendations with an emphasis on how City Hall currently relates to, works with, and facilitates development. Interdepartmental cooperation should be analyzed and improved where necessary. Specific suggestions include:
 - The creation of an ombudsman position to aid developers in negotiating City Hall requirements;
 - Regular developer “seminars” on new and existing programs and codes;
 - The creation of a regularly updated compendium of incentive programs available to developers in urban areas, and training for relevant City staff to assure a basic working knowledge of all applicable programs – City, County, State and Federal;
 - Case studies should be developed and made available to illustrate the approvals process and available funding options for different types of urban development projects.
 - Consolidate and simplify the existing 20+ loan and grant programs.

3. **CREATE A “DEVELOPERS COUNCIL”** – Representing significant real estate stakeholders and investors, a developers council would have a long-term evaluative role on progress toward creating a more business- and investment-friendly downtown. The Council should not be a stand-alone body, but should be convened and staffed by RDDC. The group should meet on an *ad hoc* basis to address real estate policy and development issues.
4. **MARKETING** – Focus scarce resources on marketing the existing and new housing products rather than on market research.
5. **TRACK ABSORPTION** – RDDC should formally track absorption of housing units more closely and more frequently than in its current annual Survey of Downtown Rental Housing. This effort would provide a clearer picture of the rate of absorption of new downtown housing products (by size, type, cost, tenant-type, etc.).
6. **DOWNTOWN INCUBATOR** – Continue to explore the feasibility of a downtown incubator as a route towards investing in “human capital” and growing new downtown businesses.

ARTS & CULTURE

BACKGROUND

A national panel of experts through the Urban Land Institute came to Rochester in June 2005 to develop recommendations for the community on the redevelopment of the Main & Clinton area. Part of their message involved capitalizing on downtown as a regional center of arts and culture. A group of regional experts from the arts, cultural and business community was convened this fall to evaluate ULI’s comments, and the following represent their strategic recommendations.

OPPORTUNITIES

- **Education, arts, culture and tourism represent significant under-valued economic drivers in this region.** Economic benefits are seen in the impact of these sectors on:
 - The branding of the Greater Rochester region;
 - Business startups;
 - Outside dollars brought to the region;
 - Causing the tax base to stabilize and increase; and,
 - Impacting on the quality of life, highlighting their return on investment (ROI) to the regional economy.
- **Brand Rochester as an “Innovation City” in a way that does not separate technology, science, the arts, education, tourism and business.** The conventional paradigm that keeps these sectors in isolated “silos” must change. In a region that is economically healthy, they are all inextricably linked. In particular, arts and culture serve as a “leavening agents” that

have already impacted the informal branding of Rochester relative to the rest of Upstate New York.

- As bricks and mortar structures and urban spaces in the Center City are redeveloped, we should encourage flexibility in the architecture of spaces to permit a variety of communications technologies and uses, including artists and arts spaces.

RECOMMENDATIONS

1. **(PRIORITY) NEW CITY ADMINISTRATION** – Consult/lobby incoming City administration to reconfigure its operations to reflect a new emphasis on economic development, arts, education, culture, and tourism. The City of Rochester’s basic organizational chart should reflect the economic development importance of the arts and culture sector.
2. **(PRIORITY) ARTIST ATTRACTION INCENTIVES** – Explore incentive models to attract artists – housing, associated retail, studios, and gallery space – in addition to non-profits, government offices, and community groups.
 - Create a new non-cash City incentive program that would reward developers who provide lower rent, street-level spaces to artists and art galleries, modeled after the City’s CUE program.
 - Advocate for the creation of a NYS “Arts and Culture Zone” program, similar to the Empire Zone program, as envisioned by Assemblyman Joe Morelle.
3. **(PRIORITY) INCREASE SENSE OF SECURITY** – Lobby police to provide a more obvious presence and sense of security in areas around arts & cultural venues.
4. **DEVELOP A UNITED ARTS FUND** – Explore the business case for a United Arts Fund, particularly for not-for-profit arts groups (Toronto, for example, gives \$10M a year to its arts council).
5. **AGGRESSIVELY MARKET “ARTS NETWORK” CONCEPTS** – Provide more information to the public on the capacities of arts venues, the availability of a wide variety of art forms, mapped information, and actively promote the arts in the Rochester region. Create a central and highly visible location downtown to highlight regional arts assets.
6. **RE-BRAND ROCHESTER AS A CULTURAL TOURISM DESTINATION** – Create “Cultural Getaway” packages in the Rochester region; create four or five “art walks”; and, once a year do an “arts shuttle event”.
7. **ASSESS THE MARKET** – Where are audiences coming from? Convene focus groups with artists to determine what drives location decisions and get feedback on recommendations to attract them.

8. **ARTICULATE ECONOMIC IMPORTANCE OF THE ARTS** – The significance of culture and the arts should be clearly articulated to groups as disparate as real estate developers and the region’s college students
9. **BUILD “ARTISTS AS BUSINESSES” INTO DOWNTOWN INCUBATOR CONCEPT** – Create a viable mechanism that encourages individual entrepreneurs to capitalize on the opportunities for artists that will present themselves as the “art network” comes to life.

EXISTING ASSETS SUBCOMMITTEE MEMBERS:

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